

# ACCOUNTS & REGULATORY COMMITTEE

## 30 JUNE 2008

*Present :-* Councillor Sue Lissimore (Chairman)  
Councillors Kevin Bentley, John Bouckley, Martin Goss,  
Jackie Maclean, Jon Manning, Nigel Offen,  
Gerard Oxford, Laura Sykes and Dennis Willetts

*Substitute Member :-* Councillor Kim Naish for Councillor Dave Harris

### 3. Minutes

The minutes of the meetings held on 18 March 2008 and 15 May 2008 were confirmed as a correct record.

### 4. Have Your Say!

Mr Andy Hamilton addressed the panel, saying he believed the Firstsite Newsite project to be a total waste of public money. Mr Hamilton said he was not aware of any letters, telephone calls or press statements from the Council retracting the comments made by him and other members of the public.

Mr Hamilton said that the Standards Board should investigate the conduct and strong language of a Councillor in respect of the exchange of letters between himself and the Councillor, as recently published in the local press.

In respect of the financial aspects of the project, Mr Hamilton said that he believed the construction costs were increasing and that Essex County Council, one of the financial partners, was not prepared to increase its funding arrangements. Mr Hamilton said he believed the financial and governance arrangements of this partnership was not robust and lacked the necessary controls, with the accounts for the project showing little reality to what has happened.

Mr Hamilton concluded by saying press reports on the project is highlighting the gulf between Council officials and members of the public in what is an endless stream of wasted public money.

The Chairman thanked Mr. Hamilton for his attendance and said his comments had been noted.

**Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

### 5. 2006-07 Audit and Inspection Letter

Mr. Paul King, District Auditor and Ms. Christine Connelly, Audit Commission, attended

the meeting for this item.

Mr. King introduced the 2006-07 Audit and Inspection Letter, spelling out the key messages within the letter including the Direction of Travel Statement, the work on the Local Area Agreement and audit on Health Inequalities in the Essex.

In response to Councillor Bouckley, Mr. King said it was for the Council to identify the reasons for high sickness levels and address them accordingly. Mr. King said there was no easy solution to improving the situation, though strict management was an imperative. Ms. Ann Wain, Executive Director, People and Performance addressed the panel saying the Council's Executive were aware of the high sickness levels during the time of this report 2006-07. Ms. Wain said the level of sickness had since improved and the target set for the Council at the commencement of 2007-08 had been met. Ms. Wain said the improved results would be reflected in next years Direction of Travel statement.

In response to Councillors Bentley and Offen, Mr. King said the statement within paragraphs 25 – 28 of the Letter, on Health Inequalities in the Essex audit, was a generic statement that appeared in the letters for all District Councils in Essex. Mr. King said the main issues for this audit were not about health issues but more about the roles of all partners within the service provision. Mr. King acknowledged that the paragraphs were only a broad summary and he agreed to forward to members a fuller detailed report on this audit.

In response to Councillor Willetts, Mr. King said the dip in the planning service performance in regards to planning growth was not just in Colchester, that the planning service was under pressure across the County. Planning would continue to be a constant challenge for many authorities, with the next planning audit for Colchester due to be recorded in the next Direction of Travel Statement. Mr. King also confirmed to Councillor Willetts that Firstsite Newsite was a regular topic at his local audit meetings, that the risks of the project are being continually monitored, and will be reported to the Finance and Audit Scrutiny Panel at regular intervals.

In response to Councillor Willetts, Mr. King said in regards to Value for Money, during 2006-07 there was nothing within the audit that had caused a need for comment on the financial statement, which had recorded properly incurred expenditure. In regards to the Decent Homes Programme Mr. King said Basildon as well as Colchester had now ended their partnership with the contractor carrying out the programme.

Mr. King confirmed to Councillor Manning that he would supply a breakdown analysis of the information on the Use of Resources assessment table.

*RESOLVED* that:-

- i) The Committee noted the contents of the 2006 -07 Audit and Inspection Letter.
- ii) The Committee requested the District Auditor to supply further detailed analysis of the Health Inequalities in the Essex audit.
- iii) The Committee requested the District Auditor to supply a breakdown analysis of

the Information on the Use of Resources assessment table.

## **6. External Audit Progress Report - 2007-08**

Ms. Hayley McGrath, Audit and Risk Manager, attended the meeting for this item and introduced the report on the External Audit Progress Report 2007-08.

*RESOLVED* that the Committee noted the External Audit Progress Report 2007-08.

## **Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes ) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

### **7. Year End Internal Audit Assurance Report**

Ms. Hayley McGrath, Audit and Risk Manager, supported by Mr. Daniel Hellary of Deloitte the Internal Audit provider attended the meeting for this item.

Ms. McGrath introduced the report on the Year End Internal Audit Assurance Report, giving details of the final quarter and year end summaries of internal audit recommendations, and emphasising the Key Messages listed in paragraph three of the report.

In response to Councillor Willetts, Mr. Hellary confirmed that in respect of the Cash Office Audit, one recommendation that was not agreed was as a result of a timing issue concerning the deadline for carrying out reconciliations, though the time difference was considered minimal. Ms. McGrath confirmed that the Housing repairs audit did not take place due to a number of issues around the project and the view that an audit at this moment in time would not be a good use of officer or audit time.

Ms. McGrath confirmed to Councillor Bentley that the surplus audit days from 2007-08 would be carried forward to 2008-09.

In response to Councillor Manning and Bentley, Ms. McGrath and Mr. Hellary confirmed that Deloitte carried out audit plan for both the Council and Colchester Borough Homes. Mr. Hellary said all audits were completed with total confidentiality. There was a protocol in place for carrying out all audits and to date there had not been an issue with this. Ms. McGrath confirmed there was no regulation to stop these partners from using the services of a single auditor.

Councillor Bentley, supported by Councillors Manning and Offen considered one internal auditor working on behalf of, but under the individual protocol of Colchester Borough Council and Colchester Borough Homes was not something they were comfortable with or would have expected, though understanding this was within regulation.

Ms. McGrath confirmed to Councillor Goss that the non-disclosure document from Deloitte to act for both partners had been certified and is available for viewing. Ms. McGrath confirmed to Councillor Willetts that audit assurance reports on the Housing Repairs Programme would be reported both to the Council and Colchester Borough Homes, and the new reporting arrangements would be presented to the Finance and Audit scrutiny Panel at the first quarter stage.

Ms. McGrath confirmed to Councillor Goss that the Audit Plan itemises each day of audit, and that it was her responsibility to track and confirm details of Deloitte invoices with the Plan, with the monthly invoice certified for payment by a Finance Manager

In response to Councillor Oxford, Ms. McGrath confirmed the District Auditor would be seeking assurances with regards to shared audits and reports for the remaining Decent Homes Programme, with detailed information reported to the Finance and Audit Scrutiny Panel at the first quarter stage.

*RESOLVED* that the Committee noted the Council's performance relating to Performance of Internal Audit by reference to national best practice benchmarks, executing the Internal Audit Plan 2007-08 and the status of outstanding recommendations as at 31 March 2008.

**Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**8. Review of the Governance Framework and Draft Annual Governance Statement**

Ms. Hayley McGrath, Audit and Risk Manager, attended the meeting for this item and introduced the report on the Annual review of the Governance Framework and Draft Annual Governance Statement, saying the Committee was being asked to make the decision to agree the Annual Governance Statement for 2007-08 which would then be signed off by the Leader of the Council and the Chief Executive of the Council.

In response to Councillors Oxford, Bentley and Offen, Ms. McGrath confirmed that the Interim Letter of Intent and the Addendum to the Management Agreement with Colchester Borough Homes in respect of the Housing Repairs Contract, would, once completed, be reported to a scrutiny panel at the earliest convenient time.

In response to Councillor Goss, Ms. McGrath said she was confident all new contracts go through a rigorous and consistent procedure, though she confirmed there was no central record of contracts held in the Council. Ms. McGrath confirmed that this will be addressed by the introduction of the Contracts Register, managed by the Procurement Team in Resource Management Services. Ms. McGrath also confirmed that Colchester did have a Business Continuity Plan and was a member of the Essex Business Continuity Group, benefitting from partnership arrangements e.g. Serco, the

Council's external I.T. supplier, and Colchester's strategic partnership with Braintree.

In response to Councillor Goss, Ms. McGrath said Colchester's Risk Management procedures and reporting mechanism was in place, though there was a need for the risks associated with the construction of Firstsite Newsite to be identified within the Council's own risk register.

*RESOLVED* that:

- i) The Committee considered and noted the Governance Framework and Draft Annual Governance Statement.
- ii) The Committee requested that the Finance and Audit Scrutiny Panel review the Interim Letter of Intent and the Addendum to the Management Agreement with Colchester Borough Homes in respect of the Housing Repairs Contract at a date to be agreed with the Head of Strategic Policy and Regeneration.

**Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes ) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**9. Annual Governance Statement 2007-08**

*RESOLVED* that the Committee approved the Annual Governance Statement 2007/08.

**10. Draft Statement of Accounts**

Mr. Andy Wilks, Finance Manager, attended the meeting for this item and introduced the report on the Annual Statement of Accounts for 2007/08.

Mr. Wilks explained that the Draft Annual Statement of Accounts (SoA) had to be approved by 30 June 2008 and that this would be the first phase in the process. By approving the SoA, the Committee was doing so on behalf of the Council, and this would enable them to be released into the public domain for external audit examination.

In response to Councillor Bouckley, Mr. Wilks said the shortfall on the Pension Fund shown in the Statement of Accounts was a snapshot at a point in time, 31 March 2008. The fund is part of a national scheme managed by Essex County Council, and subject to regular actuarial review. The last review was in March 2007 which has resulted in extra contributions being made by the employer and employees to the scheme from April 2008. The figure of £55,000,000 was an estimate of the current value of the amount of money the fund would need to pay out in the longer term which current funds would not cover. It was anticipated that the funding gap would reduce over time given the increased contributions and future investment returns.

Councillor Bentley congratulated officers in their hard work in insuring the Council's accounts were closed within the statutory timescale. Councillor Bentley requested that the Portfolio Holder for Resources and Business considers activating 'Charity Accounts' to make better use of these resources, and report his deliberations to the next convenient meeting of the Finance and Audit Scrutiny Panel.

Councillor Goss, in respect of the anticipated increase in telephony costs, requested a reply detailing the anticipated increases.

Councillor Oxford, in respect of the Council's Revenue Balances within the Housing Revenue Account, requested the Portfolio Holder for Resources and Business to report to the next convenient meeting of the Finance and Audit Scrutiny Panel, his proposals to begin to rebuild this balance. Mr. Wilks confirmed this piece of work was already under consideration.

In response to Councillor Offen, Mr. Wilks confirmed that the Council's LABGI grant notified and received to date was higher than expected. The scheme provided a fixed sum to be distributed to local authorities over a three year period ending in 2007-08. However, at national level the Government has not released the full sum yet but has held back a contingency. This is because some local authorities have challenged the basis of distribution of the sum between authorities. It is anticipated that the full sum will be released once the issues over the distribution basis have been resolved.

*RESOLVED* that:

- i) The Committee considered the report and supporting information and approved the pre-audit Statement of Accounts 2007/08.
- ii) The Committee requested the Portfolio Holder for Resources and Business consider activating 'Charity Accounts' to make better use of these resources, and report his deliberations to the next convenient meeting of the Finance and Audit Scrutiny Panel.
- iii) The Committee agreed to request the Executive Director, People and Performance, in respect of the anticipated increase in telephony costs, to provide details of the anticipated increases to Members of the Committee.
- iv) The Committee requested the Portfolio Holder for Resources and Business to report to the next convenient meeting of the Finance and Audit Scrutiny Panel, his proposals to begin to rebuild the Council's Revenue balance within the Housing Revenue Account.